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# AUDUBON NATURE INSTITUTE, INC.

**Financial Statements and Supplementary  
Information for the Year Ended December 31,  
2002 and Independent Auditors' Report**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/3/03

# AUDUBON NATURE INSTITUTE, INC.

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Audubon Nature Institute, Inc.:

We have audited the accompanying statement of financial position of Audubon Nature Institute, Inc. (the Institute), as of December 31, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized totals have been derived from the financial statements of Audubon Nature Institute, Inc. as of and for the year ended December 31, 2001, which statements were audited by other auditors who have ceased operations. These auditors expressed an unqualified opinion on those statements in their report dated March 29, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2002 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2003 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Deloitte & Touche LLP*

April 25, 2003

**Deloitte  
Touche  
Tohmatsu**

# AUDUBON NATURE INSTITUTE, INC.

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
Cash and cash equivalents	\$ 439,890	\$ 492,158
Accounts and grants receivable	1,767,286	172,224
Investments (Note 2)	20,603,677	22,259,509
Accrued interest receivable	1,971	9,209
Pledges receivable (Note 3)	4,425,468	7,491,973
Due from Audubon Commission (Note 6)	5,695,608	4,754,711
Prepays and other assets	63,236	74,610
Project design costs	2,803,295	1,383,805
Equipment less accumulated depreciation of \$120,228 in 2002 and \$88,186 in 2001	239,820	76,883
Restricted assets - LPFA bonds (Note 9)	<u>1,046,281</u>	<u>2,593,548</u>
TOTAL ASSETS	<u>\$37,086,532</u>	<u>\$39,308,630</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 121,362	\$ 163,545
Accrued compensation	47,072	38,497
Lines of credit (Note 8)	2,100,000	1,000,000
LPFA bonds (Note 9)	<u>2,860,000</u>	<u>3,035,006</u>
Total liabilities	<u>5,128,434</u>	<u>4,237,048</u>
NET ASSETS:		
Unrestricted, including Board designated	7,912,313	8,197,195
Temporarily restricted (Note 4)	8,660,149	11,456,113
Permanently restricted (Note 5)	<u>15,385,636</u>	<u>15,418,274</u>
Total net assets	<u>31,958,098</u>	<u>35,071,582</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$37,086,532</u>	<u>\$39,308,630</u>

See notes to financial statements.

# AUDUBON NATURE INSTITUTE, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2002, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2002	2001
REVENUE AND OTHER SUPPORT:					
Government grants	\$ 1,574,103	\$ 197,004	\$	\$ 1,771,107	\$ 908,901
Gifts, exhibit/program sponsorships	237,339	2,652,361	147,762	3,037,462	4,288,610
Losses on securities, net	(2,906,124)		(132,319)	(3,038,443)	(1,908,040)
Investment income	354,969		418,203	773,172	843,815
Imputed interest on pledges		(85,221)		(85,221)	1,174,753
Fundraising activities	885,185			885,185	957,225
Net assets released from restrictions:					
Specific grants to the Audubon Commission for operations, support, education programs and capital projects (Note 6)	5,433,440	(5,433,440)		-	-
Endowment income transferred to Audubon Commission funds (Note 5)	(67,446)		(415,242)	(482,688)	(392,924)
Total revenue and other support	5,511,466	(2,669,296)	18,404	2,860,574	5,872,340
EXPENSES:					
Grant expense to the Audubon Commission (Note 6)	4,119,327			4,119,327	2,598,226
Development and fundraising activities	1,386,674			1,386,674	1,272,824
Termite education grant		104,281		104,281	95,842
Interest	148,145			148,145	73,786
Investment expenses	101,828		1,896	103,724	100,397
Other expenses	35,601	22,387	49,146	107,134	402,711
Project expenses	4,773			4,773	-
Total expenses	5,796,348	126,668	51,042	5,974,058	4,543,786
CHANGE IN NET ASSETS	(284,882)	(2,795,964)	(32,638)	(3,113,484)	1,328,554
NET ASSETS, BEGINNING OF YEAR	8,197,195	11,456,113	15,418,274	35,071,582	33,743,028
NET ASSETS, END OF YEAR	\$ 7,912,313	\$ 8,660,149	\$ 15,385,636	\$ 31,958,098	\$ 35,071,582

See notes to financial statements.

# AUDUBON NATURE INSTITUTE, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2002, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets for the year	\$ (3,113,484)	\$ 1,328,554
Adjustments to reconcile to cash provided by operations:		
Realized losses on investments	1,645,542	415,128
Unrealized loss on investments	1,392,901	1,492,912
Receipt of stock gifts	(23,549)	(26,362)
Imputed interest on pledges	85,221	(1,174,753)
New pledges recorded	(1,597,319)	(1,897,939)
Depreciation	32,042	25,152
Pledge payments	4,490,813	4,451,190
Accounts and grants receivable, due from Audubon Commission, and other assets	(2,468,201)	(3,758,671)
Accounts payable and other liabilities	(33,608)	(57,636)
Net cash provided by operating activities	<u>410,358</u>	<u>797,575</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in museum project	(1,419,490)	(737,145)
Proceeds from sales or maturities of investments	6,065,973	7,267,398
Purchases of investments	(7,386,391)	(8,672,711)
Property additions	(194,979)	(31,832)
Restricted assets, net	<u>1,547,267</u>	<u>(2,593,548)</u>
Net cash used in investing activities	<u>(1,387,620)</u>	<u>(4,767,838)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under lines of credit	5,875,000	4,192,000
Repayments under lines of credit	(4,775,000)	(3,192,000)
Issuance of bonds	-	3,060,000
Repayment of bonds	<u>(175,006)</u>	<u>(24,994)</u>
Net cash provided by financing activities	<u>924,994</u>	<u>4,035,006</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(52,268)</b>	<b>64,743</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>492,158</u></b>	<b><u>427,415</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 439,890</u></b>	<b><u>\$ 492,158</u></b>

See notes to financial statements.



# AUDUBON NATURE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2002

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### 1. DESCRIPTION OF THE ORGANIZATION

Audubon Nature Institute, Inc. (the Institute) is a nonprofit organization incorporated October 31, 1975. The Institute is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. The Institute manages and operates the Audubon Commission (the Commission) facilities located at the Audubon Zoo and Park, the Aquarium and Riverfront Park, the Species Survival Center and the Louisiana Nature Center (the Facilities) under contractual management agreements. Facility revenues and expenses (including salary expense) are recorded by each facility in accordance with these management agreements. The Facilities had combined operating revenues of \$25,660,000 for the year ended December 31, 2002 and combined total assets of \$153,476,000 at December 31, 2002.

The Institute obtains donations, gifts and grants, and conducts fundraising activities in furtherance of its exempt purpose. The revenues and net assets reflected in these financial statements are the result of these activities. Specific grants to the Audubon Commission consist of donations received and grants obtained by the Institute for operating support and capital improvements of the Facilities discussed above.

Audubon Nature Institute Foundation (the Foundation), a nonprofit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code, was incorporated February 8, 1991 to raise funds to support the education programs and other activities managed by the Institute. Since the Institute and the Foundation are related through common mission, board representation and common management, the accompanying financial statements include the accounts of the Foundation.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** – The fiscal 2002 financial statements presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Institute reports information regarding its financial position and activities according to three classes of net assets:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** - Net assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Institute pursuant to those stipulations such as completion of construction projects. In most cases, such actions require the expenditure of personnel effort or other costs before such assets can be released.
- **Permanently Restricted** - Net assets whose use by the Institute is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

The Institute reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets or permanently restricted net assets. The permanently restricted classification is also referred to as an endowment fund. Earnings from these assets are periodically transferred to the Commission's operating fund.

The financial information shown for fiscal 2001 in the accompanying financial statements is included to provide a basis for comparison with fiscal 2002 and presents summarized totals only.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Investments** – Investments, as detailed below, are carried at fair value which was determined by reference to market information and published sources.

	2002	2001
Marketable equity securities	\$ 9,278,737	\$ 12,247,480
Fixed income securities	10,242,439	9,103,625
Money market accounts and investment cash	<u>1,082,501</u>	<u>908,404</u>
Total investments	<u>\$ 20,603,677</u>	<u>\$ 22,259,509</u>

Board designated assets are unrestricted funds that are invested on a pooled basis with permanently restricted assets in accordance with Board approved plans. These funds are collectively invested as the Foundation's endowment fund. Board designated net assets totaled approximately \$4,959,000 and \$6,482,000 as of December 31, 2002 and 2001, respectively.

**Pledges Receivable and Contributions Received** – The Institute recognizes contributions received as revenue in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. Pledges receivable are recorded net of an allowance for uncollectible pledges and at net present value. A discount factor of 2.3% is applied to scheduled future pledge payments.

**Equipment** – Equipment is capitalized at cost and depreciated using the straight-line method over a period of five to ten years.

**Statement of Cash Flows** – For purposes of reporting cash flows, the Institute considers all investments and other short-term instruments with an original maturity of ninety days or less to be cash equivalents.

**New Accounting Pronouncements** - In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This standard supercedes previous related accounting standards. It addresses the accounting and reporting for impairment of long-lived assets to be held and used, as well as long-lived assets to be disposed. It also broadens the presentation for discontinued operations on the income statement to include a component of an entity (rather than a segment of a business). This standard requires that long-lived assets to be held and used be written down to fair value when they are considered impaired. Long-lived assets to be disposed of are to be carried at the lower of carrying amount or fair value less estimated costs to sell. This standard was effective for the Institute beginning January 1, 2002. The



adoption of this standard did not have a material effect on the Institute's results of operations, changes in net assets, financial position or cash flows in 2002.

In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN No. 45 are effective for periods ending after December 15, 2002. The initial recognition and measurement requirements of FIN No. 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The adoption of the accounting provisions of FIN No. 45 is not expected to have a material effect on the Institute's results of operations, changes in net assets, financial position or cash flows.

### 3. PLEDGES RECEIVABLE

Unconditional promises of donors to make contributions to the Institute are included in the financial statements as pledges receivable and revenue of the temporarily restricted net asset class. Pledges are recorded after discounting future cash flows to the present value. Pledges receivable are expected to be realized in the following periods:

	2002	2001
In one year or less	\$ 1,697,553	\$ 2,488,071
Between one and five years	2,829,250	4,638,065
More than five years	<u>145,000</u>	<u>1,321,795</u>
	4,671,803	8,447,931
Less: discount and allowance for uncollectible pledges	<u>(246,335)</u>	<u>(955,958)</u>
Pledges receivable	<u>\$ 4,425,468</u>	<u>\$ 7,491,973</u>

Pledges receivable have the following restrictions:

	2002	2001
Specific capital projects	\$ 2,291,250	\$ 5,640,899
Education programs	87,000	116,117
Endowment for Audubon Membership	-	87,790
Other, general capital and operating support	<u>2,047,218</u>	<u>1,647,167</u>
	<u>\$ 4,425,468</u>	<u>\$ 7,491,973</u>

#### 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2002 and 2001 are available for the following purposes or periods:

	2002	2001
Pledges receivable for periods after year end	\$4,375,468	\$ 7,354,183
Capital projects at Audubon Zoo, Park, Insectarium & Aquarium of the Americas.	3,163,374	2,811,961
Education programs at the Zoo, Aquarium and Nature Center	91,895	142,008
Operating support for the Nature Center	75,190	14,063
Operating support for the Zoo	110,417	100,497
Operating support for Survival Center and Audubon Center for Research of Endangered Species	821,524	1,035,838
Other	<u>22,281</u>	<u>(2,437)</u>
Total temporarily restricted net assets	<u>\$8,660,149</u>	<u>\$11,456,113</u>

#### 5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of December 31, 2002 and 2001 must be invested in perpetuity, but the income from these investments is available to support the following:

	Permanently Restricted Net Assets		Income Transferred to	
	2002	2001	2002	2001
Aquarium of the Americas and Riverfront Park	\$ 5,305,599	\$ 5,305,599	\$ -	\$ -
Survival Center/Research Center	8,411,082	8,411,082	300,000	300,000
Audubon Zoo and Park	698,342	551,079	62,742	38,666
Louisiana Nature Center	970,613	1,062,722	52,500	54,258
Other	<u>-</u>	<u>87,792</u>	<u>-</u>	<u>-</u>
Total	<u>\$15,385,636</u>	<u>\$15,418,274</u>	<u>\$415,242</u>	<u>\$392,924</u>

#### 6. RELATED PARTY TRANSACTIONS

The Institute and the Commission are related through interaction of their Boards of Directors and contractual management agreements under which the Institute manages and operates Commission facilities. As a result, these entities often engage in operations through one organization that benefits the other organization to achieve economies of scale. One example of this is the use of common or central bank accounts. At December 31, 2002 and 2001, the Institute's receivables from and payables to the Commission are summarized as follows:

	2002	2001
Due from Audubon Commission	<u>\$5,695,608</u>	<u>\$4,754,711</u>

Specific gifts and grants provided by the Institute to Commission facilities to pay operating expenses and fund certain capital projects for the years ended December 31, 2002 and 2001 are summarized below:

	2002	2001
Audubon Zoo and Park	\$ 1,579,843	\$ 575,959
Aquarium of the Americas and Riverfront Park	530,650	106,673
Survival Center/Research Center	1,788,587	1,699,695
Louisiana Nature Center	<u>220,247</u>	<u>215,899</u>
Total	<u>\$4,119,327</u>	<u>\$2,598,226</u>

#### 7. EMPLOYEE BENEFIT PLAN

The Institute has established a tax-deferred annuity plan for the benefit of all full-time employees. The plan provides for the purchase of annuities which qualify for tax deferral. Employees may participate on an optional basis by contributing between 2 percent and 15 percent of their salary, not to exceed \$10,500. The Institute matches employee contributions at a rate of 33 percent, up to 8 percent of base salary. Contributions are not subject to Federal income taxes and accumulate on a tax-deferred basis until withdrawn. The Institute's contributions amounted to approximately \$7,600 for 2002 and \$7,800 for 2001.

#### 8. BANK LINES OF CREDIT

The Institute has unsecured revolving lines of credit with three commercial banks for \$2,000,000, \$1,000,000 and \$1,000,000, respectively, and standby letters of credit totaling \$3,166,639. Borrowings bear interest at the 30 day LIBOR plus 150 basis points (2.9275% at December 31, 2002). The revolving credit notes expire in 2003 at which time renewal of the lines will be sought. The Institute does not believe there are any conditions that would change its ability to renew the notes. The letters of credit expire in 2006. The Institute had \$2,100,000 and \$1,000,000 outstanding under these revolving lines at December 31, 2002 and 2001, respectively.

#### 9. LPFA BONDS

The Institute borrowed \$3,060,000 under an Equipment and Capital Facilities Pooled Loan Program in connection with Revenue Bonds Series 2001B issued by the Louisiana Public Facilities Authority (LPFA). Under this arrangement, proceeds from the note were deposited into a separate project capital fund maintained on behalf of the Institute by a trustee (reflected as restricted assets in the accompanying statement of financial position). The restricted funds are released to cover the cost of certain defined capital projects as such project costs are incurred. As of December 31, 2002, approximately \$2,145,000 of such funds had been disbursed to cover the cost of certain capital projects in process and \$915,000 remained available for expenditure. Monthly principal payments of \$17,000 plus interest (at a floating weekly rate, 1.48% at December 31, 2002) are paid into a debt service fund under the arrangement based on a 15 year amortization; however, bond and interest payments are made to bondholders semi-annually. Amounts held in the escrow fund for payment by the trustee are included in restricted assets at December 31, 2002. Future debt payments are due as follows: December 31, 2003 - \$204,000; December 31, 2004 - \$204,000; December 31, 2005 - \$204,000; December 31, 2006 - \$204,000; December 31, 2007 - \$204,000; thereafter - \$1,840,000.

## **10. OTHER TRUSTS**

The Institute and the University of New Orleans (the University) have established four funded trusts to support four endowed chairs at the University. Under an affiliation agreement with the University, the chairholders will conduct research at Audubon Center for Research of Endangered Species and discharge academic responsibilities at the University. These trusts were funded by private donations totaling \$2,400,000 and combined with \$1,600,000 in matching funds from the Louisiana Trust Fund for Eminent Scholars. This funding set up four \$1,000,000 chairs. The trust assets are not included as Audubon Nature Institute assets. Audubon and the University jointly benefit from trust distributions that fund the chairholders' research and academic responsibilities. At December 31, 2002 senior scientists working at Audubon Center for Research of Endangered Species occupied four chairs.

The Patrick F. Taylor Foundation created the Taylor/Audubon Students and Scholars program in which 7<sup>th</sup>-12<sup>th</sup> grade students across the state receive memberships to the Aquarium and/or Zoo if a qualifying grade point average is achieved. These one-year memberships allow each student and one parent to visit the facility at no charge. The trust fund is held at Greater New Orleans Foundation and the assets are not included as Institute assets; however the Institute receives all ordinary income from the trust. Amounts totaled approximately \$640,000 at December 31, 2002.

## **11. CONTINGENCIES**

Certain claims and suits have been filed against the Institute. The majority of these claims are covered by insurance and, based on all available information and consultation with the Institute's legal counsel, management does not believe the ultimate resolution of these matters will have a significant effect on the Institute's financial position or results of operations.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Audubon Nature Institute, Inc.:

We have audited the financial statements of Audubon Nature Institute, Inc. (the Institute), as of and for the year ended December 31, 2002, and have issued our report thereon dated April 25, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

April 25, 2003



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors of  
Audubon Nature Institute, Inc.:

### **Compliance**

We have audited the compliance of Audubon Nature Institute, Inc. (the Institute) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

### **Internal Control Over Compliance**

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Institute as of and for the year ended December 31, 2002, and have issued our report thereon dated April 25, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Institute. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

April 25, 2003

# **AUDUBON NATURE INSTITUTE, INC.**

## **SCHEDULE OF FEDERAL EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Federal Grantor or Pass-through Grantor and Program Title</b>	<b>Contract Number</b>	<b>Total Award</b>	<b>Receivables as of 12/31/01</b>	<b>Cash Received During the Year Ended 12/31/02</b>	<b>Revenues Recorded During the Year Ended 12/31/02</b>	<b>Expenditures Incurred During the Year Ended 12/31/02</b>	<b>Receivable as of 12/31/02</b>
U.S. Fish and Wildlife Service: Support Facilities for the Audubon Center for Research of Endangered Species/Insectarium	14-48-0010-95-013	\$ 7,749,695	\$ 23,878	\$ 705,900	\$ 889,714	\$ 889,714	\$ 207,692
Institute of Museum and Library Services: Nature Center	IG-00119-00	112,500		42,188	42,188	42,188	-
Nature Center	IG-00-02-0186-02	112,500		56,250	56,250		-
USDA Agricultural Research Services: Termite Education Grant	58-6435-8-113	519,000	68,960	108,635	98,567	98,567	58,892
Termite Construction Grant	58-6435-8-113	500,000			44,934	44,934	44,934
U.S. Department of Education: Wild Science	01-091-220	100,000		6,152	11,626	11,626	5,474
U.S. Department of Housing & Urban Development: Insectarium	B-02-SP-LA-0264	500,000		244,564	244,564	244,564	-
Insectarium	B-00-SP-LA-0151	462,500	79,236	462,500	383,264	383,264	-
		<u>\$ 10,056,195</u>	<u>\$ 172,074</u>	<u>\$ 1,626,189</u>	<u>\$ 1,771,107</u>	<u>\$ 1,714,857</u>	<u>\$ 316,992</u>

# AUDUBON NATURE INSTITUTE, INC.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2002

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation*** – The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Institute and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants.

***Accrued Reimbursement*** – Various reimbursement procedures are used for federal awards received by the Institute. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year. Accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

***Payments to Subrecipients*** – There were no payments to subrecipients for the year ended December 31, 2002.

***Grant Contract Numbers*** – Federal CFDA Numbers are not available for the grants listed in the schedule of expenditures of federal awards. The identifying numbers presented are the contract numbers assigned by the respective federal agencies.



# AUDUBON NATURE INSTITUTE, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

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### Part I - Summary of Auditor's Results

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The programs tested as major programs for the fiscal year ended December 31, 2002 include:

CFDA Number

Name of Federal Program

14-48-0010-95-013

U.S. Fish and Wildlife Service – Support Facilities  
for the Audubon Center for Research of Endangered  
Species/Insectarium

B-00-SP-LA-0151

U.S. Department of Housing and Urban  
Development - Insectarium

8. A threshold of \$ 300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Organization did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

### Part II - Financial Statement Findings Section

There were no findings related to the financial statements for the year ended December 31, 2002.

### Part III - Federal Award findings and Questioned Cost Section

The Institute had no findings or questioned costs requiring disclosure for the year ended December 31, 2002.

# **AUDUBON NATURE INSTITUTE, INC.**

## **SUMMARY OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2002**

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There were no items identified in the course of the conduct of the prior year's examination that were reported.